CITY OF
TORONTO

J. RABINOWITZ, C.A.
CITY AUDITOR

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THE TORONTO PUBLIC LIBRARY BOARD

Report on the audit
of the books and accounts
for the year ended December 31, 1983

CITY OF TORONTO

J. RABINOWITZ, C.A.
CITY AUDITOR

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June 19, 1984

Mayor Arthur C. Eggleton,
and Members of the Executive Committee,
City Hall.

I have completed the audit of the books and accounts of the Toronto Public Library Board for the year ended December 31, 1983, and herewith present my report to which I append the following statements:

Table 1 - Statement of Revenue and Expenditure

Table 2 - Statement of Source and Application of Funds

Table 3 - Balance Sheet (Combined Revenue, Capital and Reserve Funds)

Trust Fund Statements

- Revenue and Expenditure

- Balance Sheet

My report on certain aspects relating to the accounts of the Board is as follows:

Comments on the Financial Statements of the Board for the year 1983

ACCOUNTING POLICIES

The Statement of Source and Application of Funds reports the flow of both revenue and capital funds during the year and shows the balance of working capital available to the Board at the year end. The balance sheets of the Revenue, Capital and Reserve Funds are consolidated. The fixed assets together with the equity in such assets have been deleted from the balance sheet leaving only that portion of capital expenditures recoverable in future years from rates to be levied for library purposes.

STATEMENT OF REVENUE AND EXPENDITURE - Table 1

A comparison of revenues and expenditures for the current year with those of the preceding year is shown in Table 1.

The City's estimates for 1983 show an appropriation of $16,379,494 from 1983 levies for maintenance purposes of the Board. Additional appropriations totalling $712,890 were provided to cover the additional cost of negotiated salary increases and fringe benefits, and for providing increased pensions to former employees of the Board. The total City maintenance contribution of $17,092,384 was paid to the Board.

Revenue from the Province of Ontario in 1983, totalling $1,428,935, consists of; a per capita grant of $1,388,775, grants of $1,993 under the Ontario Experience Program and Wintario funds of $38,167 for minor construction projects charged to operating expenditures.

A deficit of $23,347 resulted from the 1983 operations of the Board. An estimated 1983 operating deficit of $76,833 was included in the City's 1984 Operating Budget for purposes of determining the amount to be levied for the Library Board in 1984.

1983 budget variances include over-expended appropriations of; $29,097 for acquisitions of books and other library materials, $20,908 for general expenses including operating supplies and $175,312 for purchases of services.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS - Table 2

Properties acquired for capital projects of the Board are managed by the City's Property Department pending the demolition of buildings. In 1983, net rentals from such properties, namely Eglinton and Yonge Regional Library and East End District Library, have been taken to the general revenue fund.

Capital funds provided by the City for library purposes in 1983 were as follows:

Contributed capital from the City's "Capital Funds from Assets Sold" account re		
- Integrated automation of operations	$ 89,955	
- College and Shaw area library (additional funds)	93,000	$182,955
Sinking fund surpluses from:		
Debentures issued for library purposes		
- Integrated automation of operations	$226,549	
Debentures issued for other municipal purposes		
- Integrated automation of operations	183,496	
- Library security systems (additional funds)	23,000	433,045
Advances pending the issue of debentures re		
- Minor capital construction for handicapped improvements at various branch libraries	$ 75,106	
- Main Street branch library handicapped facilities	158	
- Boys' and Girls' House library renovations	66,662	
- Exterior signs at various branch libraries	50	141,976
		$757,976

Capital expenditures of the Board in 1983 were as follows:

	Land	Buildings	Furniture & Equipment
Capital works in progress:			
- Boys' and Girls' House library		$190,160	
- Stanley Knowles housing development at Northern District Library		37,502	
- Library security systems			$ 67,465
- St. Lawrence neighbourhood area library		(838)	382
- Perth/Dupont Library		37,036	
- College and Shaw Library	$231,507	159,636	
- Locke renovations		92,207	25,008
- Swansea library		9,288	
- Danforth library		206,127	
- Gerrard library		189,118	
- Main Street library		7,393	
- Library service centre		25,391	
Other capital expenditures:			
- For furniture and equipment at various branches and departments			75,415
	$231,507	$953,020	$168,270

Total accumulated expenditures to December 31, 1983 on capital projects in progress are detailed below. Expenditures shown are net after allowing for recoveries of $246,364 under the Wintario grants program and from other sources.

	Net Authorized	Actual Expenditure
Locke branch renovations and remodelling	$329,830	$355,798
St. Lawrence Neighbourhood Area Library	480,050	481,064
Provision of a library in the College and Shaw Streets area	814,410	649,789
Provision of a library in the Perth Avenue and Dupont Street area	283,850	298,771
Library security systems	137,000	69,003
Stanley Knowles housing development project at Northern District Library (preliminary expenditures)	-	69,811
Boys' and Girls' House library renovations	953,500	214,605
Main Street branch handicapped facilities	158,000	7,393
Minor capital construction for handicapped improvements at various branch libraries	105,350	186,612
Library Service Centre building	100,000	25,391
Exterior signs at various branch libraries	42,420	-
Integrated automation of library operations	500,000	-

Over-expended authorizations for the Locke and Perth/Dupont libraries have been provided for out of interest earnings obtained through the temporary investment of capital funds provided for these projects. The excess expenditure of $1,014 over the amount authorized for the St. Lawrence neighbourhood library at the end of 1983, together with whatever further expenditures are necessary to complete this project, will require additional funding.

Of the estimated recovery of $316,050 from Wintario grants for minor capital construction for handicapped improvements at various branch libraries, $217,921 was received as of the year end. Further grant contributions for these projects are anticipated from this source.

BALANCE SHEET AS AT DECEMBER 31, 1983 - Table 3

UNRESTRICTED ASSETS

Accounts receivable - $228,084:

Amounts owing to the Board with respect to its general operations (revenue funds) consist of the following:

City of Toronto	$158,514
Metropolitan Toronto Library Board	1,380
Other debtors	68,190
	$228,084

Included in the amount of $68,190 is $15,572 owing by CUPE Local 1996 for employee fringe benefit costs incurred by the Board during the strike of library employees in 1980 and for which the Board has not yet been reimbursed.

Deferred Charges - $302,272:

Deferred charges at December 31, 1983 consist of the following:

Periodicals	$286,543
Insurance premiums	180
Prepaid rentals and rental commissions	4,595
Other deferred charges	10,954
	$302,272

RESTRICTED ASSETS

Cash in bank and on hand - $923,901:

Capital funds realized from the issue of debentures and from other sources and paid to the Library Board by the City have been deposited in separate bank accounts re the various projects.

Accounts Receivable (City of Toronto) - $1,398,207:

Capital funds held by the City at December 31, 1983 amounted to $1,398,207 with reference to various capital projects.

Capital outlay to be recovered in future years - $5,858,952:

The capital outlay of $5,858,952 to be recovered in future years from rates to be levied for library purposes consists of:

Long term debt financed by the City	$5,716,976
Advanced by City pending the issue of debentures for capital works in progress	
- Minor capital construction for handicapped improvements (various branch libraries)	75,106
- Main Street branch library handicapped facilities	158
- Exterior signs (various branch libraries)	50
- Boys' and Girls' House library renovations	66,662
	$5,858,952

Accounts payable and accrued liabilities - $367,121:

Accounts payable and accrued liabilities at December 31, 1983 including $114,291 for capital projects, are as follows:

City of Toronto	$ 15,964
Municipality of Metro Toronto	97
Sundry suppliers	203,010
Provision for language bonuses payable to library employees	148,050
	$367,121

The accrual for payments of language bonuses to qualified employees, under the terms of the union contract, has been provided by charges of $49,350 which have been made against operations in each of the years 1981 to 1983 inclusive. As of the end of 1983, no payments of such bonuses to eligible employees had been made.

Deferred revenue - $1,803,572:

Deferred revenue is made up of the following amounts:

OMERS pension plan re excess funding	$1,708,666
Sinking fund surpluses on debenture debt held by the City	83,690
Rents collected in advance	3,538
Unexpended balance of Wintario grants	565
Other deferred receipts	7,113
	$1,803,572

The refund obtained, with respect to the valuation of supplementary benefits at December 31, 1982 provided under agreement with the Ontario Municipal Employees' Retirement System, has been deferred pending a decision by the Board as to the manner in which these surplus funds are to be utilized. The amount includes bank interest earnings of $9,919 which were obtained by the Board following receipt of the amount refunded to December 31, 1983.

Net long term liabilities - $5,858,952:

The long term debt of the Library Board which has been financed by the City as at December 31, 1983 is as follows:

Outstanding debenture debt		
Serial debentures		$2,723,460
Sinking Fund debentures	$6,534,038	
Less: Actual sinking fund deposit (actuarial requirement plus excess earnings of the fund)	3,540,522	2,993,516
Advances by the City pending the issue of debentures		141,976
		$5,858,952

Debenture debt payable in U. S. funds is stated in terms of Canadian dollars at the prevailing exchange rate at the time of issue. If converted to Canadian dollars at the prevailing rate at December 31, 1983, the liability would be increased by $486,373.

Unapplied capital receipts (net) - $1,956,364:

Net unapplied capital receipts are as follows:

From completed capital works:		
- Unrequired debenture proceeds held by the City pending OMB approval for use of other projects	$120,062	
- Unallocated interest earnings held by City	53,578	
- " " " " " Library	30,923	$ 204,563
From capital works in progress:		
- Interest earnings	$306,567	
- City contributions from its capital funds from assets sold account	254,576	
- City contributions from sinking fund surpluses	478,042	1,039,185
Expenditures for capital works in progress not yet permanently financed		(120,018)
Proceeds from lease of air rights at Northern District library (unallocated)		759,032
Proceeds from sale of East End District Library properties held by City and reserved to meet debt charges		73,602
		$1,956,364

Of the original properties acquired for the East End District Library, which project has now been abandoned, there still remains one unsold property. The annual debenture charges related to those properties which have been sold are currently being recovered out of sale proceeds held by the City. Future charges to service the repayment of these debentures to maturity will amount to $129,341.

Reserve fund - $43,938:

This is the balance of the U.S. exchange premium obtained on the issue of debentures for completed capital projects of the Board. The funds are held by the City and will be applied towards exchange costs in connection with the annual repayment charges related to the debenture by-laws concerned.

General Matters:

1. Fidelity insurance has been provided in the amount of $25,000 on each employee and member of the Board.

2. Under the terms of a fire insurance policy, buildings and contents are covered for the sum of $51,531,869 with $1,000 being deductible for each claim.

3. Under the Board's sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment on termination of service. The liability for these accumulated days, to the extent that they could be taken in cash on terminating employment, amounted to approximately $1,010,000 at December 31, 1983.

   The Board has been providing out of its current revenues for such grants which, over the past four years, have averaged out to seven grants a year at an average total annual cost of some $49,393 at present rates of pay.

4. Comparative figures for 1982 as shown on the financial statements have been restated to conform with further changes in municipal financial reporting as prescribed by the Ministry of Municipal Affairs and Housing in 1983.

5. Interest earnings in 1983 on short-term investments of current operating funds amounted to $130,757. Such earnings on capital fund accounts amounted to $99,515 during the year.

6. In 1983, the Board received a payment of $782,500 for the lease of air rights in connection with the construction of the Stanley Knowles housing complex on the site of the Northern District library building. The unexpended balance of funds obtained under the development agreement amounted to $759,032 at the year end and are included in the unapplied capital receipts of the Board. The manner in which these funds are to be used by the Board has not yet been determined.

7. The Board has entered into certain long term leasing arrangements for the use of premises in its library operations. Future commitments under rental agreements total some $467,000, of which, approximately $369,000 refers to the use of city-owned property.

CONCLUSION:

I have examined the Balance Sheet of the Toronto Public Library Board as at December 31, 1983 and the Statement of Revenue and Expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1983 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. Rabinowitz

J. Rabinowitz, C.A.,
City Auditor.

Table 1

TORONTO PUBLIC LIBRARY BOARD

Statement of Revenue and Expenditure
for the year ended December 31, 1983
(with Comparative Figures for the year 1982)

	1983	1982
Accumulated net surplus at the beginning of the year	$ 42,801	$ 116,565
Expenditure:		
Salaries		
Salaries and wages	$11,445,042	$10,686,182
Fringe benefits	1,970,795	1,859,422
	$13,415,837	$12,545,604
Materials and supplies		
Books and other library materials	$ 2,779,351	$ 2,487,522
Other operating supplies	394,856	405,217
	$ 3,174,207	$ 2,892,739
Other		
Premises, including rents and utilities	$ 1,373,821	$ 1,414,165
Purchase of services	777,850	514,691
Administrative and general	457,146	420,113
	$ 2,608,817	$ 2,348,969
Total operating expenditure	$19,198,861	$17,787,312
Principal payments on long term debt	1,175,696	1,142,849
Interest charges on long term debt	974,688	1,044,376
Exchange on long term debt charges	117,369	124,104
Debt charges met out of property sales proceeds	(34,081)	(34,186)
Debt charges met out of unrequired debenture proceeds	(1,944)	-
Capital expenditure out of current revenue	75,415	111,568
Total Expenditure	$21,506,004	$20,176,023
Revenue:		
Municipal Contribution		
- Maintenance	$17,092,384	$15,766,351
- Debt charges and exchange	2,231,728	2,277,143
	$19,324,112	$18,043,494
Province of Ontario Grants	1,428,935	1,433,926
Miscellaneous Revenue		
Circulation of books	156,195	148,857
Sale of publications and discarded books	24,028	11,326
Rental income	332,717	306,240
Revenue from parking lot operations	38,007	35,178
Sundry (incl. interest income)	135,862	125,238
Total Revenue	$21,439,856	$20,102,259
Accumulated net surplus (deficit) at the end of the year - as per Table 3	$ (23,347)	$ 42,801

Table 1-1

TORONTO PUBLIC LIBRARY BOARD

Details of Expenditures as Shown on Table 1

	1983	1982
Salaries and wages		
Chief librarian division	$ 439,760	$ 404,126
User services division	7,613,789	7,084,097
Resources division	1,713,269	1,592,775
Operations support division	1,678,224	1,579,988
Employment Incentive Programs	-	25,196
	$11,445,042	$10,686,182
Fringe Benefits		
Pension plans		
Library employees' pension and benefit fund	$ 461,699	$ 431,225
Omers pension plan	551,957	678,923
Canada pension plan	142,157	125,514
Medical and hospital plans	378,126	310,696
Workers' compensation	30,982	22,230
Unemployment insurance	281,898	187,503
Group life insurance	10,895	10,363
Cumulative sick leave grants	69,644	51,186
Retirement allowances	-	953
Long term disability plan	43,437	40,829
	$ 1,970,795	$ 1,859,422
Books and other library materials		
Books and materials	$ 2,541,496	$ 2,272,390
Periodicals	203,538	181,288
Bood binding services	33,146	31,346
Card reproduction charges	1,171	2,498
	$ 2,779,351	$ 2,487,522
Other operating materials and supplies		
Postage and courier	$ 67,322	$ 56,904
Stationery and office supplies	247,252	260,774
Caretaking	34,195	33,539
Audio visual	26,245	30,334
Displays	9,407	13,604
Crafts	10,435	10,062
	$ 394,856	$ 405,217

Table 1-2

TORONTO PUBLIC LIBRARY BOARD

Details of Expenditures as Shown on Table 1

	1983	1982
Premises		
Rent and other charges		
City Hall Branch Library (Net)	$ 119,719	$ 119,719
Swansea Municipal Building (Net)	16,481	18,500
Forest Hill Municipal Building (Net)	129,438	132,307
Library Service Building (Queen's Quay)	51,600	50,802
C.R. Sanderson Memorial Library	3,445	3,445
Dupont Street Library	-	6,900
Queen Saulter Library	20,790	21,656
St. Lawrence Library (reserve contribution)	920	919
Realty taxes	106,282	97,867
Heat, light and water	462,204	429,197
Maintenance	391,531	324,232
Minor construction projects	71,411	100,000
Space reallocation-Northern District Branch	-	23,621
Renovations to Office Space at St. Clair Branch	-	85,000
	$1,373,821	$1,414,165
Purchase of services		
Insurance	$ 47,241	$ 36,754
Audit fee	15,800	15,000
Automated systems	491,746	335,796
Consultants' fees	176,828	88,906
Maintenance and repair of equipment	41,351	34,668
Rental of equipment	3,937	2,041
Real estate commissions	947	1,526
	$ 777,850	$ 514,691
Administrative and general		
Staff training and personnel development	$ 23,419	$ 36,531
Conference and workshops	9,598	14,130
Transportation and car allowances	19,208	18,606
Community Service programs	39,477	45,139
Publicity	95,966	92,580
Publications	20,041	19,528
Memberships - Library associations	6,053	5,917
Telephone and telegraph	146,615	124,371
Trucking (library vehicles)	38,496	46,178
Centennial projects	31,481	-
Other	26,792	17,133
	$ 457,146	$ 420,113
Long Term Debt Charges		
Principal payments	$1,175,696	$1,142,849
Interest charges	974,688	1,044,376
Exchange	117,369	124,104
	$2,267,753	$2,311,329
Debt charges met out of property sales proceeds	(34,081)	(34,186)
Debt charges met out of unrequired debenture proceeds	(1,944)	-
	$2,231,728	$2,277,143
Capital Expenditures out of Current Funds		
Furniture and equipment	$ 63,134	$ 93,678
Automobiles and trucks	12,281	17,890
	$ 75,415	$ 111,568

Table 2

TORONTO PUBLIC LIBRARY BOARD

Statement of Source and Application of Funds for the year ended December 31, 1983 (with Comparative Figures for the year 1982)

	1983	1982
Source of funds		
Total revenue - As per Table 1	$21,439,856	$20,102,259
Total operating expenditure - As per Table 1	(19,198,861)	(17,787,312)
Total provided from operations	$ 2,240,995	$ 2,314,947
Capital funds provided by the City:		
Advances pending issue of debentures	141,976	-
Capital funds from assets sold	182,955	500,790
Sinking fund surpluses re		
- Debentures issued for library purposes	226,549	75,847
- Debentures issued for other municipal purposes	206,496	175,503
Wintario grant	231,664	13,500
Other contributions	1,200	-
Lease of air rights	782,500	-
Bank interest on capital funds	99,515	120,386
	$ 4,113,850	$ 3,200,973
Application of funds		
Land	$ 231,507	$ -
Buildings - renovations and acquisitions	953,020	943,466
OMB fees, etc.	466	-
Furniture and equipment - Capital projects	92,855	41,998
- Other	63,134	93,678
Automobiles and trucks	12,281	17,890
	$ 1,353,263	$ 1,097,032
Debt charges:		
Principal payments on long term debt	1,175,696	1,142,849
Interest charges on long term debt	974,688	1,044,376
Exchange on long term debt charges	117,369	124,104
	$ 3,621,016	$ 3,408,361
Net increase or (decrease) in working capital	$ 492,834	$ (207,388)
Working capital at the beginning of the year	1,484,121	1,691,509
Working capital at the end of the year	$ 1,976,955	$ 1,484,121

TORONTO PUBLIC LIBRARY BOARD

Balance Sheet
as at December 31, 1983
(with Comparative Figures as at December 31, 1982)

A S S E T S

		1983	1982
Current assets:			
Unrestricted assets			
Cash in bank and on hand		$ 1,262,796	$ (7,321)
Accrued interest on bank deposits		22,594	15,074
Accounts receivable			
- City of Toronto	$158,514		
- Other	69,570	228,084	309,150
Deferred charges		302,272	251,662
		$ 1,815,746	$ 568,565
Restricted assets			
Cash in bank and on hand		$ 923,901	$ 887,734
Accrued interest on bank deposits		9,794	10,831
Accounts receivable - City of Toronto		1,398,207	802,827
		$ 2,331,902	$1,701,392
Capital outlay to be recovered in future years		$ 5,858,952	$6,885,281
		$10,006,600	$9,155,238

L I A B I L I T I E S

Current liabilities:			
Accounts payable and accrued liabilities			
- City of Toronto	$ 15,964		
- Other	351,157	$ 367,121	$ 480,110
Reappropriation of budget provisions		-	74,243
Deferred revenue		1,803,572	231,483
		$ 2,170,693	$ 785,836
Net long term liabilities financed by the City		5,858,952	6,885,281
Unapplied capital receipts		1,956,364	1,441,320
Reserve fund		43,938	-
Accumulated surplus (deficit) - as per Table 1		(23,347)	42,801
		$10,006,600	$9,155,238

TORONTO PUBLIC LIBRARY BOARD

Trust Funds

Statement of Revenue and Expenditure
for the year ended December 31, 1983

	General Endowment Fund	Sundry Trust Funds for the provision of books, etc.	Total
REVENUE			
Interest on investments and bank deposits	$ 3,313	$ 21,425	$ 24,738
Dividends on investments	-	4,669	4,669
Memberships and other fees	-	8,012	8,012
Royalties and reproduction fees	-	10,169	10,169
Sale of publications	-	1,659	1,659
Donations, grants, legacies and other revenue	-	31,978	31,978
	$ 3,313	$ 77,912	$ 81,225
EXPENDITURE			
Expenses of "Anonymous donations fund"	$ -	$ 11,090	$ 11,090
Expenses of "Friends of the Osborne and Smith Collections"	-	11,013	11,013
Expenses of "Marguerite Bagshaw Memorial Trust"	-	795	795
Expenses of "Osborne and L. H. Smith Trust"	-	12,569	12,569
Expenses of "Osborne Royalties Trust"	-	35,020	35,020
	$ -	$ 70,487	$ 70,487
Increase in fund balances during 1983	$ 3,313	$ 7,425	$ 10,738
Balance of funds forward from 1982	34,010	301,194	335,204
Balance of funds at December 31, 1983	$37,323	$308,619	$345,942

TORONTO PUBLIC LIBRARY BOARD

Trust Funds

Balance Sheet
as at December 31, 1983

A S S E T S

Cash on hand and in various trust accounts including short term deposits and accrued interest			$193,632
Accounts receivable			2,578
Investments in bonds (at par):			
Province of Ontario, Hydro-Electric Power Commission - 8¼% due 1996	$13,000		
- 9¼% due 2004	20,000		
- 13½% due 2010	48,000	$ 81,000	
Municipality of Metropolitan Toronto - 8 3/8% due 1993		15,000	96,000
(Market value of approx. - $87,380)			
Investment in stock (at cost):			
Canada Packers Limited - Common		$ 41,625	
Canadian General Investment Limited - Common		11,400	
Moore Corporation Limited - Common		1,251	54,276
(Market value of approx. - $85,308)			
			$346,486

L I A B I L I T I E S

Accounts payable			$ 79
Deferred receipts			465
Net balance of funds:			
General endowment fund		$ 37,323	
Sundry trusts -			
Charles Graham Sanderson memorial fund	$32,959		
Dr. Charles R. Sanderson memorial fund	15,064		
Senator John M. Lewis memorial fund	3,325		
Friends of the Osborne and Smith collection fund	41,252		
Osborne and L. H. Smith trust fund	42,478		
Marguerite G. Bagshaw memorial fund	13,943		
Anonymous donations fund	1,505		
Norman Jennings McLean trust fund	103,859		
Norman Blaine Gash memorial fund	7,568		
Osborne royalties trust fund	43,060		
Toronto Public Library Centennial grant trust fund	3,606	308,619	345,942
			$346,486